

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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P 040506Z APR 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 7918

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E. O. 11652: ADS, DECLAS 7/4/77
TAGS: EAID, EFIN
SUBJECT: TENTH ANNUAL MEETING: RESOURCES OF ASIAN DEVELOPMENT
FUND (ADF)

REF: MANILA 4356

1. ADB MANAGEMENT HAS ISSUED DRAFT REPORT OF BOARD OF
DIRECTORS TO BOARD OF GOVERNORS ON RESOURCES OF ADF.
(DOC. R35-77 BEING POUCHED APRIL 4). DRAFT REPORT
HAS BEEN PREPARED ON ASSUMPTION THAT BOARD OF GOVERNORS
WOULD ADOPT A RESOLUTION ON APRIL 14 REDUCING TRIGGER
FIGURE FOR RELEASE OF SECOND INSTALLMENTS UNDER RESOLUTION
NO. 92. THEREFORE, MANAGEMENT PROPOSES THAT SUBJECT DRAFT
REPORT BE CONSIDERED BY BOARD OF DIRECTORS ON APRIL 15,
I.E., DATE ON WHICH RECORDING OF VOTES ON PENDING
GOVERNORS' RESOLUTION IS DUE.

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2. FOLLOWING IS TEXT OF DRAFT REPORT. PARAGRAPHS 5
AND 7 CONTAIN REFERENCES TO TIMING OF U.S. CONTRIBUTION.
PLEASE ADVISE WHETHER USADB SHOULD SEEK ANY CHANGES IN
TEXT.

QUOTE:

RESOURCES OF THE ASIAN DEVELOPMENT FUND
(DRAFT) REPORT OF THE BOARD OF DIRECTORS

1. ON 3 DECEMBER 1975 THE BOARD OF GOVERNORS, ACTING ON THE RECOMMENDATION OF THE BOARD OF DIRECTORS, ADOPTED RESOLUTION NO. 92, AUTHORIZING THE BANK TO RECEIVE CONTRIBUTIONS TO A FIRST REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND (ADF), IN A TOTAL AMOUNT OF US\$830 MILLION. DURING 1976 THE BOARD OF GOVERNORS APPROVED AN INCREASE IN THE CONTRIBUTION AMOUNT ALLOCATED TO CANADA (RESOLUTION NO. 101), AND DECREASES IN THE CONTRIBUTION AMOUNTS ALLOCATED TO NEW ZEALAND AND THE UNITED STATES (RESOLUTION NO. 103). AS A RESULT OF THESE ADJUSTMENTS, THE TOTAL AMOUNT OF THE REPLENISHMENT NOW STANDS AT AROUND US\$809 MILLION.

2. THE REPLENISHMENT SCHEME EMBODIED IN RESOLUTION NO. 92 CONTEMPLATES THE RELEASE OF CONTRIBUTION COMMITMENTS BY DONOR COUNTRIES IN THREE EQUAL ANNUAL INSTALLMENTS IN 1976, 1977 AND 1978, SUBJECT TO PRIOR FULFILLMENT OF THE FOLLOWING CONDITIONS:

(A) IN THE CASE OF FIRST INSTALLMENTS, WHEN CONTRIBUTION COMMITMENTS TOTALLING AT LEAST \$475 MILLION HAVE BEEN MADE;

(B) IN THE CASE OF SECOND INSTALLMENTS, WHEN CONTRIBUTION COMMITMENTS TOTALLING AT LEAST \$650 MILLION LIMITED OFFICIAL USE

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HAVE BEEN MADE AND PAYMENTS HAVE BEEN RECEIVED THEREUNDER TOTALLING AT LEAST \$200 MILLION; AND

(C) IN THE CASE OF THIRD (AND FINAL) INSTALLMENTS, WHEN PAYMENTS HAVE BEEN RECEIVED TOTALLING AT LEAST \$400 MILLION.

3. THE TRIGGER FIGURE SPECIFIED FOR RELEASE OF FIRST INSTALLMENTS WAS DULY MET BY THE TARGET DATE OF 30 JUNE 1976. AS OF 31 DECEMBER 1976, CONTRIBUTION COMMITMENTS HAD BEEN MADE BY ELEVEN CONTRIBUTORS, NAMELY, AUSTRALIA, AUSTRIA, BELGIUM, CANADA, DENMARK, GERMANY, ITALY, JAPAN, THE NETHERLANDS, NORWAY AND THE UNITED KINGDOM. THE TOTAL AMOUNT OF SUCH CONTRIBUTION COMMITMENTS WAS \$556.7 MILLION, OF WHICH FIRST INSTALLMENTS RELEASED TO THE BANK AMOUNTED TO \$185.6 MILLION. WITH AN OPENING BALANCE OF \$41 MILLION AVAILABLE FOR LOAN COMMITMENTS AT THE BEGINNING OF 1976, THE RESOURCES SO PROVIDED, TOGETHER WITH CONTRIBUTIONS UNDER THE

INITIAL MOBILIZATION RECEIVED DURING THE YEAR FROM ITALY AND THE UNITED STATES, ENABLED THE BANK TO COMMIT \$235.9 MILLION IN 1976 LOANS FROM THE ADF, LEAVING A BALANCE OF \$41.8 MILLION AVAILABLE FOR FURTHER LOAN COMMITMENTS AT 31 DECEMBER 1976.

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4. DURING THE FIRST QUARTER OF 1977, THE BANK RECEIVED SWITZERLAND'S CONTRIBUTION COMMITMENT TO THE REPLENISHMENT, AND A FURTHER \$2.8 MILLION WAS THUS ADDED TO THE RESOURCES OF THE ADF. LOANS FROM THE ADF IN THE SAME QUARTER, AFTER DEDUCTING CANCELLATIONS AND REPAYMENTS OF EARLIER LOANS, TOTALLED \$27.6 MILLION, LEAVING A BALANCE OF ONLY \$17.0 MILLION AVAILABLE FOR LAON COMMITMENTS AS OF 1 APRIL 1977.

5. AS IT THEN STOOD, RESOLUTION NO. 92 PROVIDED THAT RELEASE OF SECOND INSTALMENTS (DUE IN 1977) WOULD OCCUR WHEN THE BANK HAD RECEIVED CONTRIBUTION COMMITMENTS TOTALLING AT LEASE \$650 MILLION AND PAYMENTS TOTALLING AT LEASE \$200 MILLION. THESE TRIGGER FIGURES IMPLIED THAT SECOND INSTALMENTS COULD NOT BE RELEASED UNTIL THE UNITED STATES HAD DEPOSITED AN INSTRUMENT FOR ITS ANTICIPATED CONTRIBUTION OF \$180 MILLION AND

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HAD PAID A FIRST INSTALMENT THEREUNDER. IN THIS CONNECTION THE BANK HAS BEEN GIVEN TO UNDERSTAND THAT THE U.S. GOVERNMENT IS SEEKING CONGRESSIONAL AUTHORIZATION FOR A \$180 MILLION CONTRIBUTION IN THE COURSE OF THIS YEAR, AND HAS INCLUDED A FIRST INSTALMENT OF \$60 MILLION IN ITS BUDGET REQUEST FOR FY 1978, BUT THAT, PENDING CONGRESSIONAL ACTION THEREON, IT IS NOT YET ABLE TO DEPOSIT AN INSTRUMENT OF CONTRIBUTION AND WOULD NOT BE ABLE TO MAKE ANY PAYMENT PRIOR TO 1 OCTOBER 1977 (I.E., THE START OF FY 1978) AT THE EARLIEST.

6. MEANWHILE, AS NOTED ABOVE THE RESOURCES AVAILABLE TO THE BANK FOR FURTHER CONCESSIONAL LENDING HAD BEEN ALMOST COMPLETELY EXHAUSTED. CONSEQUENTLY, IN ORDER TO ENABLE THE BANK TO CONTINUE ITS CONCESSIONAL LENDING PROGRAM FOR 1977, THE BOARD OF DIRECTORS ON 24 MARCH 1977 RECOMMENDED THAT THE BOARD OF GOVERNORS ADOPT A RESOLUTION WHICH WOULD AMEND RESOLUTION NO. 92 BY REDUCING THE TRIGGER FIGURES FOR RELEASE OF SECOND INSTALMENTS FROM \$650 MILLION TO \$550 MILLION IN TERMS OF COMMITMENTS, AND FROM \$200 MILLION TO \$185 MILLION IN TERMS OF PAYMENTS. SUCH A RESOLUTION WAS ADOPTED BY THE BOARD OF GOVERNORS ON 14 APRIL 1977 (RESOLUTION NO.). AS A RESULT OF THIS, ADDITIONAL RESOURCES AMOUNTING TO 183.3 MILLION (OR ABOUT \$180 MILLION AT CURENT EXCHANGE RATES) BECAME AVAILABLE FROM THE CONTRIBUTORS WHICH HAD ALREADY DEPOSITED THEIR INSTRUMENTS OF CONTRIBUTION. WHEN ADDED TO THE BALANCE OF \$17.0 MILLION AS OF 1 APRIL 1977, THIS BROUGHT THE TOTAL RESOURCES AVAILABLE FOR FURTHER CONCESSIONAL LENDING IN THE COMING MONTHS TO \$197.0 MILLION, AT CURRENT EXCHANGE RATES.

7. LATER IN THE YEAR, IT IS HOPED THAT THE BANK WILL RECEIVE THE REMAINING \$25 MILLION OF THE UNITED STATES' ALLOCATION UNDER THE INITIAL ADF MOBILIZATION ARRANGEMENTS, AS WELL AS THE FIRST INSTALMENT OF THE

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UNITED STATES' ANTICIPATED CONTRIBUTION UNDER THE FIRST REPLENISHMENT AS MENTIONED ABOVE. THIS, IF REALIZED, WOULD PERMIT THE BANK TO UNDERTAKE CONCESSIONAL LENDING OPERATIONS IN 1977 SUBSTANTIALLY NEAR THE LEVEL OF \$300 MILLION ORIGNALLY ENVISAGED.

8. AS REGARDS THE AVAILABILITY OF ADF RESOURCES IN 1978, THIS WOULD DEPEND ON THE LEVEL OF INFLOW DURING 1977 AND ON THE PRECISE CIRCUMSTANCES PREVAILING IN 1978, INCLUDING A TIMELY FULFILMENT OF THE TRIGGER FIGURE FOR RELEASE OF THIRD (AND FINAL) INSTALMENTS OF REPLENISHMENT CONTRIBUTIONS UNDER RESOLUTION NO. 92. ON THE BEST ASSUMPTIONS, HOWEVER, THE MAXIMUM INFLOW PROJECTED FOR 1977 AND 1978 WOULD PERMIT LENDING IN 1978 OF UP TO ONLY ABOUT \$250 MILLION, WHICH IS \$100 MILLION LESS THAN THE PROJECTED CONCESSIONAL LENDING PROGRAM FOR THAT YEAR. FOR 1977 AND 1978 COMBINED, THEREFORE, THE MAXIMUM CAPACITY OF THE BANK TO MAKE LOANS ON CONCESSIONAL TERMS WOULD BE A TOTAL OF ABOUT \$550 MILLION. UNQUOTE. SULLIVAN

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